

# HOUSE BILL REPORT

## SSB 6774

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**As Reported by House Committee On:**  
Community & Economic Development & Trade

**Title:** An act relating to industry clusters.

**Brief Description:** Promoting regional industry cluster growth.

**Sponsors:** Senate Committee on Economic Development, Trade & Management (originally sponsored by Senators Kastama, Shin and Rockefeller).

**Brief History:**

**Committee Activity:**

Community & Economic Development & Trade: 2/20/08, 2/27/08 [DP].

**Brief Summary of Substitute Bill**

- Increases maximum grant amounts, and adds eligible applicants, grant-making priorities, and fiscal parameters to the Industry Cluster Grant Program at the Department of Community, Trade, and Economic Development.

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### HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

**Majority Report:** Do pass. Signed by 6 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; Chase, Darneille, Rolfes and Sullivan.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Bailey, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Haler.

**Staff:** Meg Van Schoorl (786-7105).

**Background:**

In 2006 the Legislature enacted 2SHB 2498, establishing an industry cluster-based approach to economic development. An industry cluster was defined as a geographic concentration of interdependent competitive firms that do business with each other, including firms that sell within and outside of the geographic region and firms that supply raw materials, components, and business services. Industry clusters to be targeted by the Department of Community, Trade and Economic Development (DCTED) included but were not limited to: aerospace,

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agriculture, food processing, forest products, marine services, digital and interactive media, health and biomedical, software, transportation and distribution, and microelectronics. The bill directed the DCTED to identify industry clusters and to work with various entities to develop strategies to foster the development of state and regional industry clusters.

The bill also created a competitive grant program to assist communities to develop and conduct cluster strategies. The DCTED was directed to work with an Industry Cluster Advisory Committee made up of equal representation from the Workforce Training and Education Coordinating Board, the State Board for Community and Technical Colleges, the Employment Security Department, business, and labor. The Industry Cluster Advisory Committee was to recommend application evaluation criteria and recommend grant recipients. Eligible organizations included, but were not limited to, local governments, economic development councils, chambers of commerce, federally recognized Indian tribes, workforce development councils, and educational institutions. The maximum grant was set at \$100,000, except that for King, Pierce, Kitsap, and Snohomish counties combined, the maximum was also set at \$100,000. Grant-making priorities included building linkages and joint projects, developing common resources and common training, and developing common research and development projects or facilities. Five regional partnerships received a total of \$246,000 in the 2005-07 biennium: marine services cluster (Clallam County), marine services cluster (Skagit County), clean technology cluster (Puget Sound Regional Council), aerospace cluster (Spokane area), and wine cluster (Walla Walla area). There were no funds budgeted for grants in the 2007-09 biennium.

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### **Summary of Bill:**

Nonprofit industry associations or industry cluster associations are added as eligible applicants for cluster grants. Use of grant funds to develop mechanisms for information sharing among cluster members is added to the list of grant-making priorities.

The maximum amount of a grant is increased from \$100,000 to \$150,000. The maximum grant amount that can be received by King, Pierce, Kitsap, and Snohomish counties combined is increased from \$100,000 to \$300,000.

Of the total grant program funds received, the DCTED and the Industry Cluster Advisory Committee must use 5 percent to: (1) identify and share with grant recipients the public and private resources available that could be more intensively provided to assist industry clusters; and, (2) identify mechanisms by which public resources can be coordinated and more efficiently delivered to support industry clusters.

The definition of an "industry cluster" is broadened by adding "other institutions including government and education."

"Sector" is defined as a group of industries with similar business processes, products, or services, such as construction or health services, as categorized by the North American Industry Classification System.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:**

(In support) This bill will help support communities and regions perform cluster analyses prior to initiating an economic development strategic plan. A cluster analysis assesses what industries exist in a geographic area and what is needed to grow the cluster in the future. Both Walla Walla and Spokane have done excellent cluster analyses. In Walla Walla, the analysis was of the wine cluster and it assessed necessary components such as wineries, grape growers, restaurants, bottlers, label companies, and specialty law firms. Walla Walla has aligned educational institutions with the needs of the target cluster. In Spokane, the analysis was of several clusters aerospace, allied health, manufacturing, and construction. Spokane high school students receive a brochure for each cluster that outlines the types of jobs, rate of pay, and education required.

(Opposed) None.

**Persons Testifying:** Senator Kastama, prime sponsor.

**Persons Signed In To Testify But Not Testifying:** None.